

Employment in leading and lagging rural regions of the EU

Summary report of the RUREMPLO project

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February 1999

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Agricultural Economics Research Institute (LEI), The Hague

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The Hague, Agricultural Economics Research Institute (LEI), 1999

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In the RUREMPLO project an analysis is made of the development of employment in the rural regions of the EU against the background of a downward trend in the agricultural labour force. For this purpose a quantitative analysis of socio-economic characteristics in all EU regions during the 1980s and 1990s and 18 case studies in 'leading' and 'lagging' rural regions in 9 EU Member States have been carried out in order to reveal forces behind employment dynamics. This resulted in a series of research findings that are relevant for the future design and delivery of rural employment policies in Europe. In this report a summary is presented of the methodology and the findings of the RUREMPLO project.

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Preface

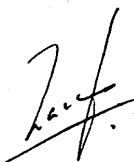
RUREMPLO is the acronym of the FAIR (CT96 1766) project 'Agriculture and employment in the rural regions of the EU'. In this project an analysis is made of the development of employment in the rural regions of the EU against the background of a downward trend in the agricultural labour force. For this purpose a quantitative analysis of socio-economic characteristics in all EU regions and 18 case studies in 'leading' and 'lagging' rural regions in 9 EU Member States have been carried out in order to reveal forces behind employment dynamics. This resulted in a number of key messages towards enhancing the employment situation in rural regions.

The RUREMPLO project has been carried out by 9 national teams from 9 EU Member States during the years 1997 and 1998. The RUREMPLO team members are:

- Jaap H. Post and Ida J. Terluin (coordination), Agricultural Economics Research Institute LEI, The Netherlands;
- Heino von Meyer, Pro Rural Europe, FR Germany;
- Franco Sotte and Roberto Esposti, Università Degli Studi di Ancona, Italy;
- Sophia Efstratoglou and Angelos Efstratoglou, Agricultural University of Athens, Greece;
- Jacques Blanchet, Jean Pierre Bertrand, Bernard Roux and Åsa Sjöström, INRA Grignon, and Jean-Claude Bontron, SEGESA, France;
- Jordi Rosell and Lourdes Viladomiu, Universitat Autònoma de Barcelona, Spain;
- Bruno Henry de Frahan, Pierre Dupraz and Béatrice Van Haeperen, Université Catholique de Louvain, Belgium;
- Tuomas Kuhmonen, Fin-Auguuri Oy (Ltd), Finland;
- Markus F. Hofreither and Franz Weiss, Institut für Wirtschaft, Politik und Recht, Austria.

In this report a summary of the main findings of the RUREMPLO project is given. It discusses briefly the methodological approach, the results of both the EU wide statistical analysis and the case studies and it indicates some lessons for employment creation in rural regions. It is intended as a first introduction for people interested in the results of the RUREMPLO project. For those people, who are interested in a more detailed description of the findings, we refer to the reports, which have been published on the separate parts of the project (see Annex 1).

Prof. Dr L.C. Zachariasse



LEI Managing Director

The Hague February 1999

Summary

About the research project

In this report a summary of the main findings of the RUREMPLO project is given. RUREMPLO is the acronym of the FAIR (CT96 1766) project 'Agriculture and employment in the rural regions of the EU'. In this project an analysis is made of the development of employment in the rural regions of the EU against the background of a downward trend in the agricultural labour force. For this purpose a quantitative analysis of socio-economic characteristics in all EU regions and 18 case studies in 'leading' and 'lagging' rural regions in 9 EU Member States have been carried out in order to reveal forces behind employment dynamics. The project has been carried out in 1997 and 1998 by nine research teams from 9 EU Member States.

The field of force of a rural region

By using the territorial approach, the rural region is presented as a territorial unit with an internal socio-economic structure and a system of local actors. In order to visualise the forces, which affect employment change in rural regions, the RUREMPLO methodology conceptualized a field of force. In this field the current global restructuring process, due to rapid technological changes in the communications and information sectors, and due to political changes, is taken into account. This process results in an intensification of the external integration of rural regions. Within the field of force we distinguish three closely related components: local resources, economic activities and actors. From the design of the field of force it becomes clear that both endogenous and exogenous forces are assumed to be important for the development of employment in rural regions.

Leading and lagging rural regions

The basic empirical analyses for the RUREMPLO project were undertaken on a set of 465 regions covering all Member States of the EU15. Based on a criterion of population density, RUREMPLO distinguishes three types of regions: 'most rural' regions, 'intermediate' regions and 'most urban' regions. For the groups of most rural and intermediate regions a further distinction into 'leading', 'average' and 'lagging' regions was made, based on the performance of non-agricultural employment growth in the 1980s and early 1990s. Regions are only leading or lagging with regard to their non-agricultural employment performance; in other indicators like GDP per capita, GDP growth and unemployment rates they may be less or more successful. Besides, employment growth is dependent on the period considered, so being leading or lagging is not necessarily a permanent situation.

Findings from the statistical analysis

The statistical analysis of some socio-economic indicators in the group of 465 regions in the EU for the period 1980-1995 showed that leading rural regions:

- have both growth of industrial employment and services employment;
- show a smaller decline in agricultural employment than lagging regions;
- show a population growth as well, whereas in lagging rural regions population growth stagnates;
- tend to have a lower unemployment rate than lagging regions;
- tend to have a higher infrastructure endowment (highways, railways and waterways) than lagging regions.

However, for quite a number of socio-economic indicators hardly any differences have been found between leading and lagging rural regions, like:

- participation rates;
- education level of the population;
- average firm size;
- share of female employed in total employment;
- farm holders with other gainful activities.

Besides, leading and lagging rural regions have only small differences in the sectoral structure of employment.

Findings from the case studies

Both leading and lagging case study regions were faced with a decline in agricultural employment and an increase in services employment since the 1980s. The most striking difference between leading and lagging case study regions was the increase in employment in the manufacturing sector in the leading regions, whereas employment in that sector in the lagging regions tends to decline. Besides, employment in services increased in most of the leading regions at a higher rate than in the lagging regions. The leading case study regions provide evidence that both specialization and diversification can be successful strategies. There are, however, no typical rural specializations, which could be predefined a priori.

Tourism is not the only solution

The pattern of employment growth in the case study regions shows that tourism is not the only potential source of rural employment growth, but it is only one amongst many other branches. Stagnation in the flow of tourists in some case study regions was caused by the fact that accommodations and attractions did not satisfy the demands of tourists anymore. So it is important to keep up with demands of tourists and continuously adjust accommodations.

Valorizing rural amenities

Almost all case study regions had some sort of valuable rural amenities. The case studies show that it is not primarily the existence of amenities that matters, but the degree to which these assets are effectively valorized in an economic process generating added value.

Capacity of actors in leading regions better developed

In most of the leading case study regions the capacity (knowledge, skills and attitude) of local actors was better developed than in the lagging case study regions. The capacity of local actors is reflected amongst others in the way in which they cooperate with other actors inside and outside the region, in which they face challenges, in which they innovate, in which they launch projects in line with the strengths and needs of the region, in which they take risks, and in which they market regional products or the region to external actors.

Leading regions tend to have strong networks

On the whole leading case study regions were characterised by rather strong internal and external networks, whereas those in the lagging case study regions were usually rather weak. Examples of well-functioning networks are public-private partnerships, networks linking different hierarchical layers of administration, networks of different branches of public administration, networks of entrepreneurs, and multistakeholder cooperations taking care of broader agendas. Internal networks of administrative layers are the more successful, the more they are able to make a diagnosis of the regional situation, to identify needs and priorities, and to plan and design appropriate projects within a comprehensive territorial development perspective. External networks of different hierarchical layers of administration perform well if local layers have good contacts with upper level authorities and if they are able to design and prepare specific projects, which are presented to the upper level authorities responsible for decision.

Engine behind employment growth

The engine of employment growth consists of a mix of endogenous and exogenous forces in all case study regions, except for Pesaro and Macerata. It is striking that in leading regions endogenous forces tend to initiate the process of employment growth, which were subsequently enhanced by exogenous forces. In lagging regions we often found that exogenous forces tend to initiate the process of employment growth, and that endogenous forces react on them.

Main lessons for employment creation

Since the socio-economic, physical and geographic situation of rural regions widely varies, there is not one unique development path towards more jobs. So the lessons formulated in our project have not to be considered being the 'success formula', which always results in more jobs. The lessons have to be seen as building stones, which may contribute to shaping

preconditions for employment creation under certain circumstances. Despite the multiple development trajectories, we give a general guideline for employment creation in rural regions, based on the experience in the case study regions:

- make a comprehensive territorial development plan, based on the strengths, weaknesses, opportunities and threats of the region, and integrate all measures and projects within the scope of this plan;
- improve the capacity (knowledge, skills and attitude) of local actors;
- strengthen the cooperation of local actors and the cooperation of actors inside and outside the region.

Outlook

Due to its comprehensive approach, the RUREMPLO project could not undertake in-depth analyses on every single topic. Further main research topics are amongst others:

- to compose a systematic overview of theories and concepts on the economic development of rural regions in developed countries;
- to design a set of indicators, which regional administrations can use to undertake an adequate diagnosis of the regional situation as well as to plan and design appropriate projects from a comprehensive territorial development perspective;
- to get more insight in the functioning of networks, horizontal and vertical partnerships etc.;
- to analyse in-depth the role of leading sectors, firms and related production chains in rural employment creation.

Concluding remarks

The field of force analysis was a useful tool in the analysis of employment dynamics in rural regions and for presenting the results of the RUREMPLO project. Except for being a common methodology, the field of force analysis was also a useful tool in managing and coordinating an international team with over 20 researchers from various disciplines and different research traditions.

Our experience shows that it is difficult to make an EU wide quantitative analysis of socio-economic indicators at regional level (NUTS 2 or 3), as many data are not available from Eurostat data sources. Besides it was very time consuming to collect the missing data from national sources and it appeared that data for some indicators do not exist at regional level.

The overall finding from the case studies is that actors are the essential and decisive factor in employment development. The key question with regard to the actors is whether they have the capacity (knowledge, skills and attitude) to take the right steps towards encouraging employment development. This capacity depends on the degree in which actors face their situation and prospects in the broader national and international context.

1. Introduction

The research project

RUREMPLO is the acronym of an international European research project on 'Agriculture and employment in the rural regions of the EU'. It is supported under the EU research programme FAIR (CT 96 1766). The focus of the RUREMPLO project is on the development of employment in rural regions of the EU. In some rural regions the growth in non-agricultural employment is significantly above the national growth ('leading regions') while in others the growth in non-agricultural employment is significantly below the national growth ('lagging regions'). The central question in the RUREMPLO project is: what can lagging rural regions learn from rural leading regions in the field of employment creation? The project consists of two parts: a quantitative analysis of socio-economic characteristics in all EU regions and 18 case studies in 'leading' and 'lagging' rural regions in 9 EU Member States. These case studies have been carried out in order to reveal forces behind employment dynamics. The project started in January 1, 1997 and was completed by December 1, 1998. Research teams from 9 EU Member States participated in the project.

Territorial approach

In RUREMPLO rural regions are viewed from the perspective of a territorial development approach. Thus, rural regions are defined as territorial units with a low population density, which normally include one or more small or medium size cities. Hence, in RUREMPLO rural regions are considered as local/regional economies with an internal socio-economic structure and a system of local/regional actors. The size of the territorial units analysed in RUREMPLO corresponds mainly to the levels 2 or 3 of the EU NUTS classification: Départements in France, Regierungsbezirke in Germany, Provincias in Spain or Counties in the UK. This territorial approach differs from other approaches to rural, for example those where 'rural' is perceived as more or less synonymous with 'agricultural', or 'non-urban' or with a specific set of social values.

Objective and plan of this report

During the last decade a number of rural regions in the EU showed a considerable employment growth in their non-agricultural sectors, while employment growth in other rural regions stagnated. We have labelled the first group as 'leading regions' and the second group as 'lagging regions'. The objective of this report is twofold: firstly to give a summary of the factors which encourage or hamper employment growth in leading and lagging rural regions of the EU in the 1980s and early 1990s, and secondly to indicate some lessons rural regions can learn from each other with regard to employment creation, both based on the findings of the RUREMPLO project.

The plan of this report is as follows: in section 2 we elaborate on the field of force of a rural region in order to indicate which forces affect employment development in rural regions according to our methodological approach. In section 3 we discuss the results of the quantitative analysis of several socio-economic indicators of leading and lagging rural regions in the EU. In section 4 the focus is on the findings on employment dynamics in the 18 case studies and in section 5 some lessons for employment creation in rural regions are presented. In the last section some concluding remarks are made.

2. Methodological framework ¹

2.1 Exogenous or endogenous development

What are the forces behind development of employment in rural regions and what are the origins of these forces? The development of employment is closely related to the development of the production structure of the regional economy, so to economic development. Therefore by determining forces behind employment growth, we firstly examine factors affecting economic development. In literature, 3 main concepts of rural development can be distinguished:

- (a) the exogenous development approach;
- (b) the endogenous development approach;
- (c) a mix of the exogenous and the endogenous development approach.

These approaches reflect more or less a chronological sequence of conceptualizing rural development. The concepts have different implications for the strategies of local actors and for rural development policies to be implemented. The three concepts are discussed below.

(a) the exogenous development approach

Main elements of exogenous models are that rural development is considered as being transplanted into particular regions and externally determined, that benefits of development tend to be exported from the region and that local values tend to be trampled (Slee, 1994:184). Exogenous models are based upon a view that modernization results in a division of economic activities between urban and rural: urban areas become the domain of industries and services and rural areas that of agriculture. The agricultural sector covers several functions in this model: it provides food for the urban areas, it is a source of purchasing power for commodities of the industrial sector, a source of capital and labour for the industrial sector and a source of foreign earnings to support the development process of the urban areas. Since these functions reflect a dependency of agriculture on the urban sector, the process of agricultural development and hence rural development is seen as dependent from and exogenously determined by the urban sector.

Till the 1970s this was the dominant model for explaining rural development. In the European countries it was reflected in a rural development policy directed towards modernization of the agricultural sector; when this proved insufficient to stabilize the rural economy, a policy of branch plant was also adopted, in which manufacturing firms from urban areas were encouraged to move to rural areas in order to create employment opportunities for the rural population. By the late 1970s these policies fell into disrepute, since they did not result in sustainable economic development of rural regions (Lowe et al., 1995:89-91).

¹ This chapter is based on chapter 2 of Terluin et al., 1999.

(b) *the endogenous development approach*

Endogenous development is to be understood as local development, produced mainly by local impulses and grounded largely on local resources (Picchi, 1994:195). In contrast to the exogenous model, the benefits of development tend to be retained in the local economy and local values are respected (Slee, 1994:184). Within rural policies the emphasis shifted towards rural diversification, bottom-up approach, support for indigenous business, encouragement of local initiatives and local enterprises and provision of suitable training (Lowe et al., 1995:91).

This approach is closely related to the industrial district model, in which the institutional context of the economic activities plays an important role. An industrial district can be seen as 'a local thickness of inter-industrial relations which is durable in time and forms an inextricable network of positive and negative externalities (and) historical-cultural inheritances' (Becattini (1987), quoted in Iacononi et al., 1995:34-5). In this system an agglomeration of small and medium sized firms exchanges semi-finished products, which can be described as a collective production process. In this process transaction costs are very low. Technology employed in each firm is very similar and well-known to everyone due to a local technological atmosphere. Hence information costs are also very low. Relations between firms and persons in the local system are not only established by national regulations, but to a large extent by local regulations, rules and customs which have their roots in local historical culture (Iacononi et al., 1995:34).

The endogenous development model supposes the existence of a local growth potential in each region, that is waiting to be unlocked. However, the model does not define the core of that local growth potential. Slee (1994:191) considers endogenous development not so much as 'a concept with clearly defined theoretical roots but more a perspective on rural development, strongly underpinned by value judgements about desirable forms of development'. Slee (1994:193-4) denies the existence of an endogenous development model; he just views it as an exogenous model, in which external forces are the principal determinants of development, but where endogenous forces may colour the nature of the process. In the endogenous model the emphasis has shifted from a branch-plant strategy to support for local entrepreneurs, from a single agency activity to an integrated approach and from a traditional bureaucratic support structure to a creation of animators with networking functions, but this does not alter the fundamental nature of the development process. With this criticism we arrive almost as a matter of course at the next model.

(c) *mix of the exogenous and the endogenous development approach*

This approach relates rural development to the process of increasing globalization, due to rapid technological changes in the communications and information sectors. In this changing global context, actors in rural regions are involved in both local networks and external networks, but the size, direction and intensity of networks vary among regions. Hence rural development is considered as a complex mesh of networks in which resources are mobilized and in which the control of the process consists of an interplay between local and external forces (Lowe et al., 1995).

Local and external networks can be seen as a set of power relations of local and external actors. From the perspective of the exogenous/endogenous approach of rural development the analysis focuses upon questions like: 'which actors come to exercise power over others within and through networks?', 'how are local actors drawn into sets of relations and on what terms?', 'what links local actors to external actors?' and 'how do external actors effect change and control from a distance?' (Lowe et al., 1995:100).

In our project we embrace the mixed endogenous/exogenous approach for several reasons:

- although the exogenous approach allows for a local colour of external forces in the development process, it goes beyond endogenous potentials such as regional identity, entrepreneurial climate and attractiveness of the cultural and natural environment;
- in the changing global situation, in which rural regions are involved in various external relationships, the endogenous approach seems to be out of date, as these external relationships will affect local development;
- the mixed endogenous/exogenous approach, which sees rural development as a mesh of networks, fits well to the current situation of diverse internal and external relationships of rural regions. The emphasize on the interplay of internal and external forces in the development process offers more perspectives for diverse development trajectories of diversified rural regions than the a priori prepossessions of the exogenous or endogenous approach.

2.2 Field of force of rural regions

Starting from the mixed exogenous/endogenous approach, the analysis of employment development of rural regions should take the following elements into account:

- (a) identification of the role of the actors in the local networks;
- (b) identification of the role of the actors in the external networks;
- (c) local resources mobilized in the networks;
- (d) external resources transmitted through networks into the rural region.

The analysis of employment development of rural regions can be facilitated by a design of a field of force of rural regions, in which elements (a)-(d) are included (figure 1). In this design the current global restructuring process, due to rapid technological changes in the communications and information sectors and due to political changes, is taken into account. The changing global situation results in an intensification of external integration of rural regions. By using the territorial approach, the rural region is presented as a regional economy, which has all kind of exchanges with the external world. Within the rural region we distinguish three closely related components: local resources, economic activities and actors. The component of local resources refers to physical infrastructure (roads, railways, ports etc.), natural resources (like wood and hydropower) and rural amenities. Economic activities refer to all kind of activities in the agricultural, industrial and service sector. Actors are embodied with capacity (knowledge, skills and attitude) and interact with each other in networks. Moreover, actors can be involved in all kinds of relations with the outside world, like the exchange of products, services and know how and contacts with policy makers outside the region. Besides, actors are moving in and out of the region. These ac-

tors generally refer to economic active people, to entrepreneurs and retirees. This field of force offers a framework for RUREMPLO in which factors encouraging and hampering the maintenance or increase of employment opportunities can be revealed.

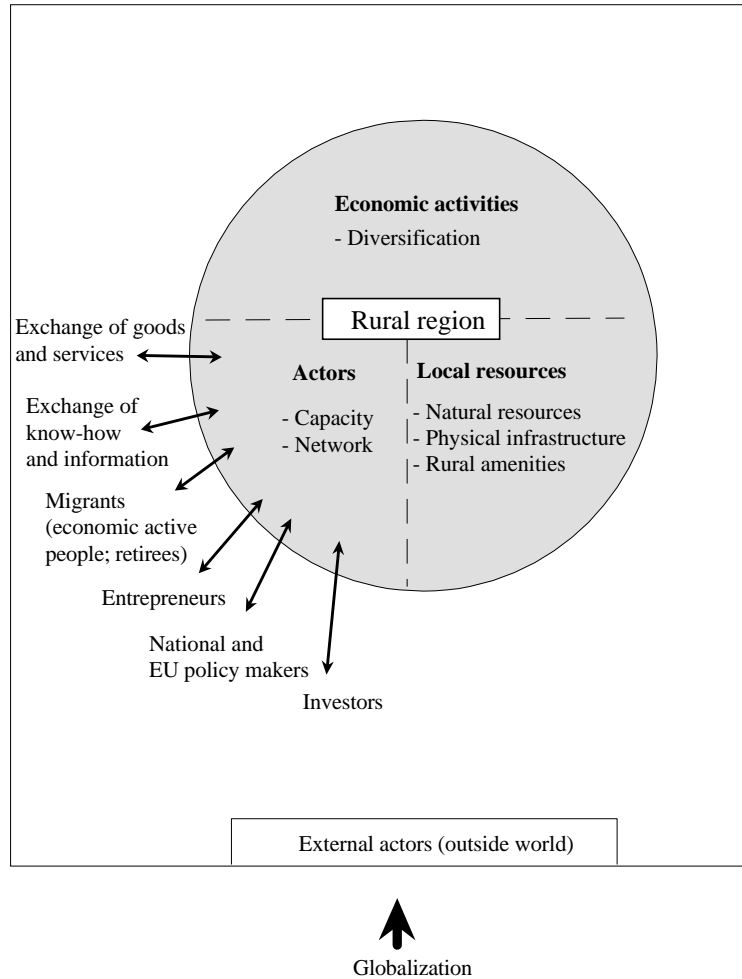


Figure 1 Field of force of a rural region

Key issues and SWOT analysis

For facilitating the analysis of the field of force, we have made a list with 12 key issues, referring to each of the three main components. Besides, the various forces in the field have been assessed at the beginning and end year of the period under study by making a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis.

2.3 Leading and lagging rural regions in the EU

In the RUREMPLO project we used a division of 465 regions in the EU15¹. Based on the criterion of population density, we distinguish three types of rural regions: most rural regions, intermediate regions and most urban regions (see for methodology OECD, 1994). The distribution of regions about the three classes of rurality is given in table 2.1.

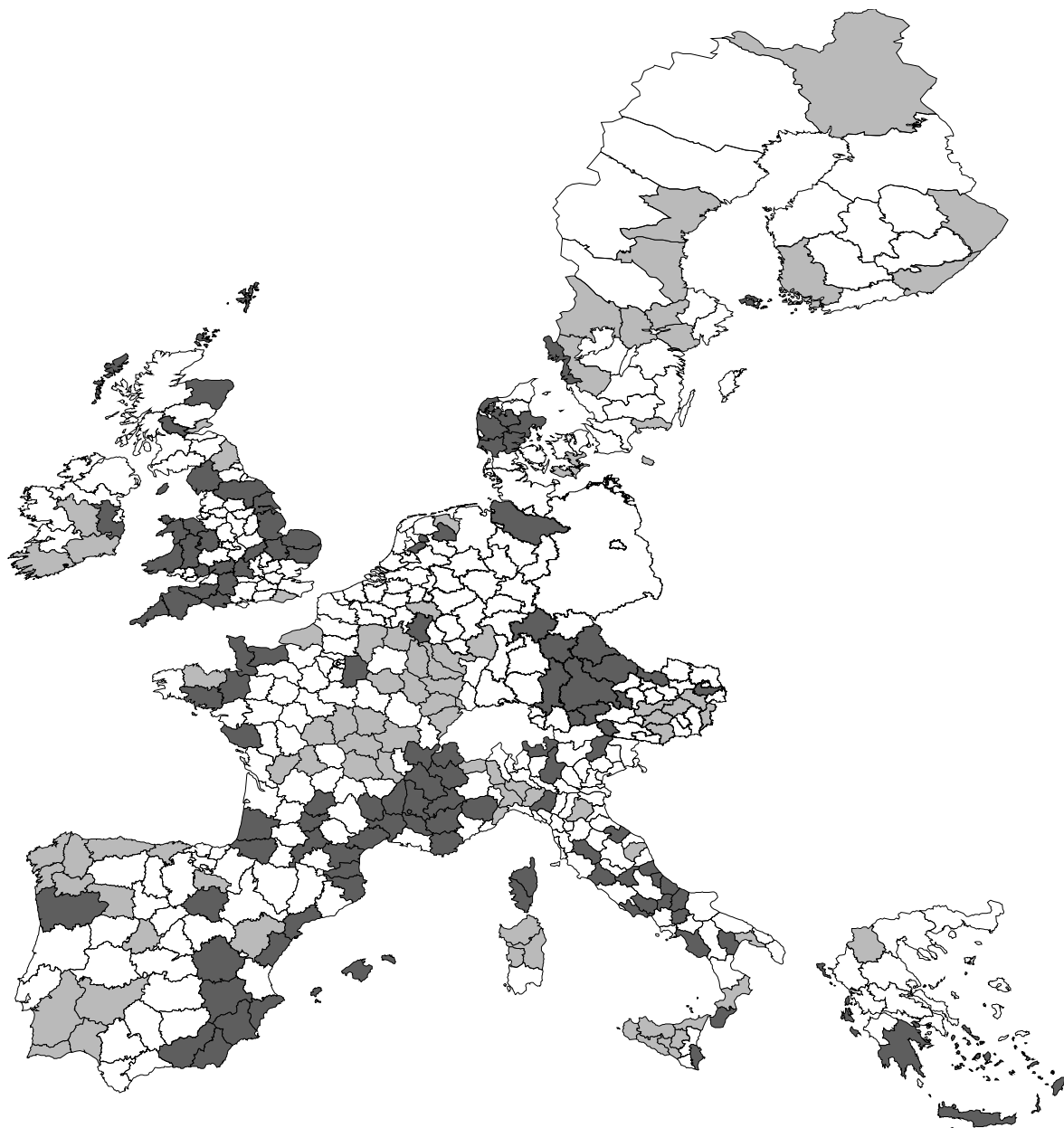
Table 2.1 Classification of EU 15 regions to the degree of rurality

Degree of rurality	Number of regions	Percentage
Most rural regions	195	42
of which:		
- leading	58	12
- lagging	49	11
Intermediate regions	164	35
of which:		
- leading	57	12
- lagging	36	8
Most urban regions	106	23
Total	465	100

Source: Esposti et al., 1999.

Within the groups of most rural and intermediate regions we made a further distinction into leading, average and lagging regions, based on the performance of non-agricultural employment growth in the 1980s and early 1990s. A region is considered to be leading when the growth rate of non-agricultural employment was 0.5 percent points above the national growth rate; on the other hand, a region is considered to be lagging when the growth rate of non-agricultural employment was 0.25 percent points below the national growth rate (Esposti et al., 1999). It has to be emphasized that the labels leading and lag-

¹ For Belgium, Germany, Greece, Luxembourg, the Netherlands and Portugal we work at NUTS2 level; for Austria we have delineated 32 regions, for Finland we have delineated 12 regions and for the other EU Member States we work at NUTS3 level. However, for the case studies we used NUTS3 regions for Greece.



Legend
 ■ Leading most rural and intermediate regions
 ■ Lagging most rural and intermediate regions

Figure 2.1 Leading and lagging most rural and intermediate regions in RUREMPLO
 Source: LEI; RUREMPLO project.

ging are only derived from employment performance, and that leading regions may be less successful with regard to other indicators. Moreover, it appears that the growth rate of employment can change considerably when using another period. This implies that when a

region is labelled as lagging, this is not necessarily a permanent situation, but that it can change. Looking at the map of leading and lagging most rural and intermediate regions (figure 2.1), it can be seen that leading regions are often located in groups. Although there are also some bordering lagging regions, on the whole these are more scattered. Leading regions tend to be located at coast lines, whereas lagging regions tend to be located in the inner parts of countries like Spain, France and Austria, both in North and South Italy, in the western part of Greece and in the Scandinavian countries. The location of the leading regions indicates that access to waterways/ports and coastlines, which are attractive for tourists, can have a positive impact on employment performance.

2.4 Selection of regions for case studies

In each of the nine participating countries in this project, we selected a leading and a lagging region. We have selected rural regions which were not unique in their development pattern or location, but from which we expected that they could provide insight in the factors behind the process of employment growth/stagnation and lessons for other rural regions. Nevertheless, the selected regions reflect a wide range of characteristics with regard to their location, industrial tradition and physical structure. Since Belgium has few rural regions, we have not selected a lagging rural region in this country. Instead, a French lagging region close to the Belgian border has been selected for a case study.

The selected leading regions are Luxembourg (B), Niederbayern (GER), Korinthia (GR), Albacete (SP), Alpes de Haute Provence (FR), Pesaro (IT), Drenthe (NL), Osttirol (AUS) and Keski-Suomen Lääni (FIN) and the selected lagging regions are Lüneburg (GER), Fthiotis (GR), Zamora (SP), Ardennes (FR), Nièvre (FR), Macerata (IT), Groningen (NL), Liezen (AUS) and Mikkelin Lääni (FIN) (figure 2.2).

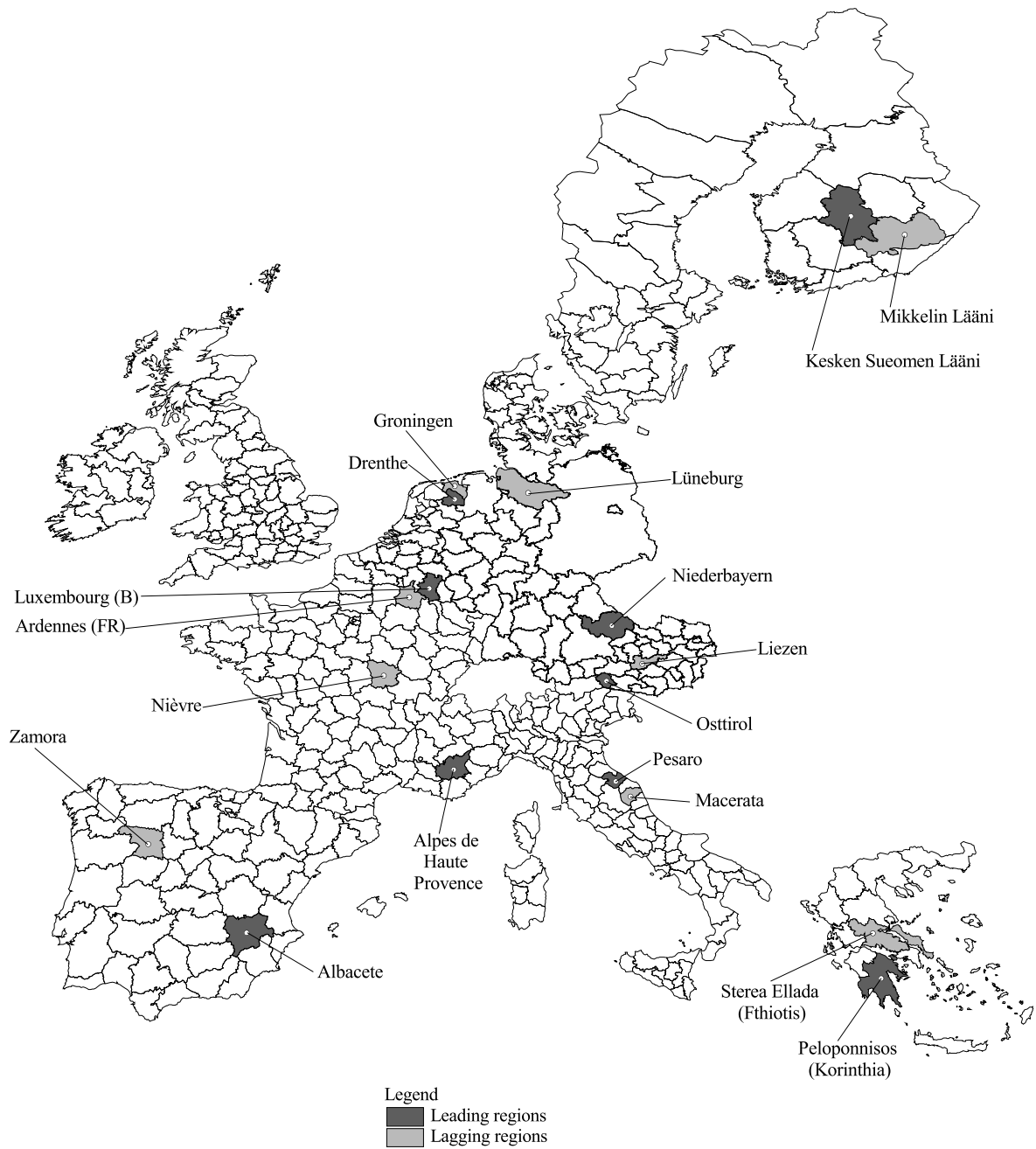


Figure 2.2 Selected case study regions in RUREMPLO
 Source: LEI; RUREMPLO project.

3. Quantitative analysis of employment growth in leading and lagging rural regions¹

3.1 Introduction

The first step in the RUREMPLO project was to make a quantitative analysis of socio-economic variables in 465 EU regions in order to examine whether rural regions with a relatively high (low) employment growth in the 1980s and early 1990s have some common socio-economic characteristics, which can contribute to the explanation of their employment performance. For the purpose of this study we have composed a database with 70 socio-economic indicators in 465 EU regions in the period 1980-1995. These variables have been selected as quantitative indicators around the three headings 'local resources', 'economic activities' and 'supply of labour', which reflects main components of the field of force of a rural region. The data are derived from the EU wide data sources Eurostat REGIO and Structure Survey (FSS) and from national sources. The advantage of using Eurostat data sources is that data are harmonized. However, it appeared that within the Eurostat data there were several gaps. So repeatedly we had to switch to national sources. This implies that different definitions for data have been used for a number of variables. Sometimes no data at all were available. This was the case for about 28% variables of the database, especially in the field of tourism, number and size of firms and education level.

We have clustered the 465 regions into 3 groups of most rural, intermediate and most urban regions. Within the first two groups we have made a further distinction in leading and lagging regions (see section 2.3).

A number of hypotheses formed the guideline in the analysis. We approached these hypotheses by examining whether correlations between pairs of variables exist by using ordinary least squares (OLSQ). Our single aim was to examine whether correlations exist, and not to theorize about independent and dependent variables. In relationships between employment growth and socio-economic characteristics it is often difficult to state what was first and what came later ('the chicken and egg problem') without further extensive research. Due to lack of data in some cases the correlations could only be made based on data for a few countries. This shortcoming has to be taken into account in the interpretation of the results.

3.2 Findings

Infrastructure endowment higher in leading rural regions

Infrastructure can be considered as one of the most important local resources allowing people and goods to move from and into the region. On average the density of transport in-

¹ This chapter is based on Esposti et al., 1999.

frastructure in most rural regions is lower than in intermediate and urban regions; besides the density in transport infrastructure in leading regions exceeds that in lagging regions. There seems to be a positive relationship between employment growth and the endowment of motorways.

Increase industrial employment in leading most rural and intermediate regions

In almost all regions employment in agriculture decreased in the 1980s. This decline was more rapid in the lagging most rural and intermediate regions than in the leading ones. In more than half of all regions the loss of agricultural employment was compensated by an increase in employment in services and/or industries. The rise in industrial employment in the 1980s is quite surprising, and occurs only in the leading regions. In the remaining other half of the regions, mainly located in the interiors of France, Spain and Austria, in the northern and southern part of Italy, in the western part of Greece and in the Scandinavian countries, employment growth in industries and services was insufficient to compensate for the decline in agricultural employment, so total employment decreased in the 1980s. On the whole, non-agricultural employment in the leading most rural and intermediate regions increased at a higher rate than that in the most urban regions (table 3.1). This was the result of two developments: a decrease in employment in industries in the most urban regions on the one hand and a higher rise in employment in services in the most rural and intermediate regions on the other hand.

Table 3.1 The annual rate of change in employment by types of regions in about '1980-93'. %

Regions	Total	Agriculture	Industry	Services	Non-agriculture
Lagging most rural	-0.7	-4.6	-1.8	1.3	0.1
Leading most rural	0.8	-3.7	0.2	2.1	1.4
Lagging intermediate	-0.7	-4.8	-2.0	1.0	-0.2
Leading intermediate	1.0	-3.6	0.3	2.4	1.6
Most urban	0.5	-3.3	-1.1	1.5	0.6
All regions	0.4	-3.9	-0.9	1.6	0.7

Convergence sectoral structure of employment

Differences in the sectoral structure of employment between rural and urban regions decreased during the study period (table 3.2). In the 1990s the share of employment in agriculture varies from 13% in lagging most rural regions to 2.5% in most urban regions, the share of employment in industries is in all groups almost the same (about 30%), whereas the share of employment in services ranges from 58% in lagging most rural regions to over 67% in most urban regions.

Table 3.2 The sectoral structure of employment by types of regions,% a)

Regions	Agriculture		Industries		Services	
	1980s	1990s	1980s	1990s	1980s	1990s
Lagging most rural	20.9	13.0	3.0	28.9	46.0	57.8
Leading most rural	15.3	9.7	31.1	29.4	53.6	60.9
Lagging intermediate	13.4	7.8	36.7	30.9	49.9	61.3
Leading intermediate	13.2	7.7	35.9	32.8	51.0	59.4
Most urban	3.7	2.5	35.7	30.1	60.6	67.4
All regions	9.2	5.7	35.6	31.0	55.2	63.3

a) Figures refer tot the beginning of the study period (1980s) and to the end of the study period (1990s).

Higher education level related to a more diversified economy

There is a positive relation between the education level of the population and the diversity of the economy. Diversity of the economy is considered here as the share of industries and services in gross value added (GVA). It appears that in most rural and intermediate regions with a higher diversification of the economy, the share of population with an upper secondary and third level education is also higher. In the group of most rural regions there is also a positive relation between the diversification of the economy and the share of population with third level education. This relationship cannot be perceived in the group of intermediate regions.

Higher share agricultural employment implies lower growth total employment

Rural regions with a higher share of employment in agriculture in the beginning period, tend to have a lower growth of total employment in the 1980s, since a higher share of employment in agriculture coincides with a higher decline in agricultural employment. This correlation is stronger for most rural regions compared to intermediate regions. There is no relation between the share of employment in agriculture and the growth rate of non-agricultural employment.

Positive relationship employment growth and labour productivity

GVA per worker (labour productivity) in agriculture and services is highest in most urbanized regions; GVA per worker in industries is highest in intermediate regions. Based on only a small number of regions, it appears that there is a positive relationship between employment growth and GVA per worker. However, only in the group of most rural regions there was a strong correlation, so it seems that labour productivity in most rural regions is a more important factor behind employment growth than in intermediate and most urban regions.

80% of EU farms in most rural and intermediate regions

From the total of 8.8 million farms in the EU in 1990, about 40% were located in most rural regions and 40% in intermediate regions. The average farm size in lagging most rural regions is about 17 ha and that in leading most rural regions about 12 ha. The farm size in leading and lagging intermediate regions is almost the same and amounts to 7.5 ha. In lagging most rural regions about two thirds of the utilized agricultural areas is classified as Less Favoured Area (LFA), in leading most rural regions the share of LFA is 60% and in intermediate regions it amounts to 50%. The share of animal production in total agricultural production is both in leading most rural and intermediate regions higher than in the lagging ones. However, the share of farming types directed towards animal production in leading regions is not above that in lagging regions.

Size structure of firms does not differ among rural and urban regions

In all three groups of regions about 92% of all firms are small (less than 10 employees), about 7% of the firms have 10-49 employees and just over 1% of firms have more than 50 employees. This distribution was stable during the 1980s.

Employment dynamics is related to population growth

Population growth in the 1980s and early 1990s was highest in the group of intermediate regions (0.52% p.a.) and lowest in most rural regions (0.26% p.a.). Population growth in the group of most urban regions was slightly above that in the most rural regions. Population growth tends to be higher in leading most rural and intermediate regions, so employment dynamics is related to population growth (table 3.3); besides population growth is also higher when the share of agricultural employment is lower.

Table 3.3 *Population growth by types of regions in about '1980-93', % per annum*

	Average	min.	max.
Lagging most rural	-0.06	-1.54	0.69
Leading most rural	0.51	-0.41	1.49
Lagging intermediate	0.06	-0.55	0.66
Leading intermediate	1.09	0.03	10.17
Most Urban	0.32	-0.93	4.75

No evidence for relation employment performance and education level

The education level in rural regions is below that in urban regions. In the early 1990s 6% of the population in the group of most rural regions had a third level education, against 8% in the group of intermediate regions and 10% in the group of most urban regions. There is

insufficient empirical evidence to state that there is some regular relation between employment performance and the education level of population in rural regions.

Participation rate does not increase with higher employment growth

The participation rate (share of working population in working age population) in the group of most rural regions exceeds that in the group of intermediate and most urban regions. A tendency that the participation rate increases with higher employment growth could not be found. However, it appeared that unemployment discourages participation: in regions with a higher unemployment rate the participation rate tends to be lower. This relationship is stronger in most rural regions relatively to intermediate and most urban regions. On the other hand, a higher education level has an upward effect on the participation rate. There is no difference in the strength of this relationship among rural and urban regions.

Lagging regions tend to have higher unemployment rates

Unemployment rates hardly differ among most rural, intermediate and most urban regions. However, the unemployment rate in lagging most rural and intermediate regions is higher than in the leading regions. Moreover, the unemployment rate tends also to be higher in regions with a higher share of employment in agriculture. Considering the cyclical behaviour of the unemployment rate in the period 1985- 1995, it can be seen that leading most rural and intermediate regions had a higher unemployment rate in the beginning of the period, while for the lagging regions the highest rate was found at the end of the period. This implies that leading rural regions were able to reduce unemployment rates whereas lagging regions failed. However, this pattern may vary among countries, as rather large differences in the level of unemployment rates exist.

Hardly any difference share women in total employment among regions

The share of women in total employment is slightly over one third: the share varies from 34% in the group of most rural regions to 37% in the group of the most urban regions. Among countries these differences are considerable, varying from 29% in Luxembourg to 48% in Finland. These differences show that female participation is affected by country specific characteristics. The share of women in total employment in leading and lagging rural regions is about the same. Among sectors there is also some difference: the share of women in total employment in agriculture is about 34%, in industries 21% and in services 45%.

Few part time jobs in most rural regions

Going from the group of most rural regions to that of most urban regions, the share of part time jobs in total employment ascends from 8% to 17%. Here again among countries large variations exist from a share of 5% in Spain, Italy and Greece to 36% in the Netherlands. In the group of most rural regions the agricultural sector has the highest share of part time

jobs, whereas in the intermediate and most urban regions the service sector has the highest share. In leading most rural regions the share of part time jobs in total employment exceeds those in lagging most rural regions, due to more part time jobs in the service sector. In leading and lagging intermediate regions the share of part time jobs in total employment is about the same. In intermediate and most urban regions about one third of employed women has a part time job. In the group of the most rural regions only one sixth of all employed women are working part time. Especially in the lagging most rural regions the share of women with part time jobs is low.

No relation employment growth and farmers with other gainful activities

The highest rate of part time farm holders is found in the group of intermediate regions (67%), whereas it is at a lower, about equal level in the group of most rural and most urban regions (59 and 57%). However, among countries the percentage of part time holders fluctuates from 32% in the Netherlands to about 80% or more in Portugal, Spain, Greece and Italy. The percentage of farm holders with other gainful activities is descending from 36% in the group of most rural regions to 31% in the group of most urban regions. A relationship between employment growth and the percentage of farm holders with other gainful activities does not emerge from our data.

Hypotheses

Seven out of the examined 11 hypotheses are supported by our analysis. These are:

- Rural regions with a higher endowment of infrastructure tend to show a higher employment growth.
- Employment growth tends to be higher in rural regions with a higher GVA/worker.
- In rural regions with a higher education level of the population, the economy is more diversified than in other rural regions.
- Rural regions with employment growth tend to have population growth as well.
- In rural regions the education level of the population is lower than in urban regions.
- Rural regions with high unemployment rates tend to have lower participation rates than rural regions with low unemployment rates.
- In rural regions with a higher education level of the population, participation rates tend to be higher.

Another part of the hypotheses is not supported by the analysis. These hypotheses are:

- Rural regions with a higher share of employment in agriculture tend to show a lower non-agricultural employment growth.
- In rural regions with a higher education level of the population the increase in employment is higher than in other rural regions.
- Rural regions with employment growth tend to have higher participation rates than rural regions in which employment growth stagnates.

- The percentage of farmers with other gainful activities in rural regions with employment growth tends to be higher than in rural regions in which employment growth stagnates.

4. Employment dynamics in the case study regions ¹

4.1 Introduction

In order to reveal and better understand the forces behind rural employment dynamics during the 1980s and the first half of the 1990s, a next step in the RUREMPLO project was to carry out 18 in-depth case studies covering leading and lagging rural regions in 9 EU Member States. The labels 'leading' and 'lagging' have been derived from the growth rate of non-agricultural employment in the region during a recent period of about 10 years. The group of 18 compared rural regions consists of the leading regions of Luxembourg (B), Niederbayern (GER), Korinthia (GR), Albacete (SP), Alpes de Haute Provence (FR), Pesaro (IT), Drenthe (NL), Osttirol (AUS) and Keski-Suomen Lääni (FIN) and the lagging regions of Lüneburg (GER), Fthiotis (GR), Zamora (SP), Ardennes (FR), Nièvre (FR), Macerata (IT), Groningen (NL), Liezen (AUS) and Mikkelin Lääni (FIN) (figure 2.2).

The selected regions reflect a wide range of characteristics: the area size varies from 2,000 km² to 16,000 km² and the population size from 50,000 to 500,000 inhabitants. The population density in the case study regions varies from 13 inhabitants/km² to 188 inhabitants/km², reflecting the fact that the case study regions cover both 'most rural regions' and 'intermediate rural regions'. In about half of the case study regions the population is concentrated in one part of the region or in a few main centres in the region. The sectoral structure of employment is diverse: there are regions with a low and a high share of employment in agriculture. Leading case study regions showed an increase in population during the last decade, whereas in the lagging regions population declined or showed only a moderate increase.

The field of force, with its three main components of local resources, economic activities and actors, was the starting point for the case studies. The case studies are based on analysis of statistics and literature and on interviews with key actors in the region. The main items in the field of force have been addressed in the so called 'key issues'. In this chapter we elaborate on the findings of the case studies by using these key issues.

4.2 Findings

Key issues 1 / 2 Are local resources (including infrastructure) important for the creation of employment?

Almost all case study regions had some sort of valuable rural amenities. Thus, it is difficult to draw any firm conclusion concerning their weight in explaining differential performance in rural employment creation. The comparisons show that it is not primarily the existence of amenities that matters, but the degree to which these assets are effectively valorized.

¹ This chapter is based on Terluin et al., 1999.

Road infrastructure is in all leading case study regions rather well developed, except for the mountainous parts in some regions, whereas in the most lagging case study regions road infrastructure is rather well developed in the central part, but insufficiently in the more remote parts. So on the whole in the leading regions road infrastructure is no serious economic constraint for local entrepreneurs. It contributes to an efficient trade of services and goods, and it forms an attractive location for firms to settle. On the other hand, the shortcomings in the situation of infrastructure hampers the economic development in lagging regions.

Key issue 3 In which branches does employment increase (decrease)? What are the properties of these branches?

Both in leading and lagging case study regions there was an increase in employment in the sectors of community services and of wholesale and retail trade, restaurants and hotels during the period 1980-1995, along with a decline of agricultural employment. Besides, some leading and lagging case study regions showed also a rise in employment in the sector of financial services. The most striking difference between leading and lagging case study regions was the increase in employment in the manufacturing sector in the leading regions, whereas employment in this sector in the lagging regions tends to decline.

The different branches can be classified according to their exposure to global markets, whether the markets are fluctuating or stable and whether they are labour intensive or labour saving. Employment growth in leading regions is not dependent on certain properties: it increases both in branches exposed and less exposed to global markets, in fluctuating and stable markets and in labour intensive and labour saving branches. However, in lagging regions employment mainly increases in branches characterized by less exposure to global markets, stable markets and labour intensive production. So in leading regions employment development is more vulnerable relatively to lagging regions.

Key issue 4 Does the sectoral mix explain the dynamics in employment growth (stagnation)?

Do leading regions have an underrepresentation of employment in shrinking sectors like agriculture and industries and an overrepresentation in expanding sectors like services? If sectoral employment structures do not differ among regions, the residual explaining divergence in employment development can be labelled as 'territorial dynamics'. This is supposed to reflect specific regional characteristics. In the largest number of the leading and lagging case study regions the sectoral shares of agriculture and industries in employment exceed those of the national economy. Based on such a sectoral mix, a below average growth should be expected. This indeed occurred in the lagging regions. However, it did not happen in the leading regions, which implies that territorial dynamics is an explaining factor of employment growth rather than the sectoral mix.

Key issue 5 Is employment created in small or large enterprises?

Both in leading and lagging case study regions employment growth takes place in small enterprises. In some regions employment growth in medium sized and large enterprises is reported. However, growth in medium and large enterprises occurs more often in leading regions than in lagging regions.

Key issue 6 Is employment created in new or existing enterprises?

Whether employment is created in new or existing enterprises seems to be affected by country specific factors, rather than by being a leading or a lagging region. So for most countries it was found that employment in leading and lagging regions is created mainly in new companies, while for a few countries the analysis showed that employment was created in both existing and new companies.

Key issue 7 Does the education level of the labour force matter in the creation (stagnation) of employment?

On the whole it can be stated that in leading case study regions the education level of the labour force is relatively low. However, the employment structure is such, that this type of labour is demanded and the abundance of low skilled labour is a pull factor for industrial firms to settle in these regions. In the lagging case study regions it was often reported that both low and high educated labour was available. So from the labour supply side education was no constraint on employment growth in lagging regions. In some lagging regions the lack of employment opportunities for highly educated people resulted in outmigration.

Key issue 8 Is employment hampered by the institutional structure of the labour market?

A first impression is that the institutional setting of the labour market in leading and lagging case study regions does not differ from other regions in the country, since it is determined at the national level. Hence, minimum wage levels apply for the whole country, and are no specific constraint or incentive for employment growth in the case study regions. The picture of the role of employment services/agencies in matching supply and demand of labour varies: in some regions they show a good performance and in others they are insufficient. However, the performance of employment services/agencies is not related to the status of being a leading or lagging region. In some regions matching of supply and demand often takes place in an informal way, which reduces the role of employment services.

Key issue 9 Does the capacity of actors matter in the creation (stagnation) of employment?

Capacity can generally be defined as the ability of actors to cooperate and interact in the market and usually refers to the three aspects of knowledge, skills and attitude. In most of the leading case study regions the capacity of policy makers is rather well developed, whereas in most of the lagging case study regions the capacity of policy makers is rather weak. Positive aspects in the capacity of policy makers in leading regions are the way in which they implement policies according to the priorities and needs of the region, in which they are able to attract public funds and private investments and in which they create pre-conditions for firm settlement. Weak points in the capacity of policy makers in lagging regions refer to a lack to formulate strategies, lack of political consensus, lack of good contacts with upper level authorities and lack to identify the needs and priorities of the region.

In a number of leading and lagging case study regions the capacity of entrepreneurs is well developed. This is often the result of a restructuring process in traditional industries.

The new and small companies are competitive at national and international markets. However, their capacity to innovate is often limited. In other leading and lagging case study regions the capacity of entrepreneurs is weak, due to a cautious and risk averting attitude or to lack of industrial tradition.

The capacity of labourers seems to be roughly the same in leading and in lagging case study regions: their attitude to work is good and they are prepared to work hard.

Key issue 10 *Specify the role of internal and external networks in the creation (stagnation) of employment and give an analysis of which actors come to exercise power over others within and through networks.*

On the whole leading case study regions were characterised by rather strong internal networks, whereas those in the lagging case study regions were usually rather weak. The internal networks in the leading regions were for example enhanced by an active attitude of local actors, solidarity, easy communication and strong local leaders. Problems faced in the internal networks in the lagging regions are a low density of actors, little interaction among internal actors, a lack of cooperation among sectors, internal conflicts, lack of active actors, lack of capacity of local actors and lack of formal networks, which are able to guide the development process.

External networks are considered here to be the interactions of actors inside and actors outside the region. It appears that the most frequent use of external networks is to get financial support from regional/national/EU level (policy relations), to export products (market relations) and to be in contact with (multinational) firms, either because the presence of subsidiary business in the region or to attract firms into the region (firms relations). In the leading case study regions external networks functioned better than in the lagging case study regions. Difficulties in the external networks of lagging case study regions are due to the marginal/remote position of the region within a larger administrative unit, lack of unified strategies, lack of capacities of the local actors and an inward looking attitude of the local actors.

The engine of employment growth consists of a mix of endogenous and exogenous forces in all case study regions, except for Pesaro and Macerata. In these regions, which belong to the so-called 'third Italy', industrial districts exist and endogenous forces are the engine of employment growth. It is striking that in leading regions endogenous forces tend to initiate the process of employment growth, which were subsequently enhanced by exogenous forces. In lagging regions it was often found that exogenous forces tend to initiate the process of employment growth, and that endogenous forces react on them.

Key issue 11 *Give an identification of the most effective policies and strategies towards maintaining or augmenting employment*

In both leading and lagging regions strategies of policy makers were directed towards the improvement of infrastructure, financial support to firms, setting up of public services, improving the education level of the labour force and supporting economic activities in thinly populated areas. A main difference in the strategies of policy makers in leading and lagging case study regions was that policy makers in leading regions were more often involved in setting up industrial sites with appropriate equipment, relatively to policy makers in lagging regions. The advantage of such industrial sites is that these can create

synergy effects. In some lagging regions strategies of policy makers were weak due to the failure to include these in a broader development perspective.

Although companies are a direct source of employment, usually the purpose of a firm is not to create employment but to make profits. A common strategy for firms in both leading and lagging case study is to improve their competitiveness in the market by higher quality products, technological innovation and flexibility. In some leading and lagging case study regions a tendency to self employment can be perceived.

Key issue 12 How do farm households adapt to the situation of decreasing employment in the agricultural sector?

One of the results of the decline of the agricultural labour force is that land becomes available for farmers, who continue their farm. So in all case study regions, except for the Austrian ones, the main adaptation strategy of farm households is farm enlargement in the sense of increasing the land area per farm. In some leading and lagging regions this strategy was combined with an intensification of production, due to the use of new techniques like irrigation or large-scale machinery. Another main element in adaptation strategies is the shift from bulk production to niches (products of regional origin), high quality products and organic farming.

The level of pluriactivity is dependent on the availability of jobs in the regional economy, the demand for products processed at farms, the demand for services like agrotourism and nature conservation provided by farmers and country specific factors. The three most common forms of on-farm pluriactivity are agrotourism, processing and selling of farm products and forestry. Off-farm pluriactivity refers to a great variety of jobs in the industries and services sector. It is remarkable that in the case study regions in Greece, Italy and Spain farm households are hardly involved in on-farm pluriactivity.

Due to the presence of landscapes of outstanding scenic beauty or high natural value and other rural amenities in the case study regions, farm tourism offers promising perspectives as a source of income. In leading case study regions farm tourism is more common than in lagging case study regions, Osttirol and Liezen being the exceptions. Problems faced in developing farm tourism in lagging regions are the lack of a regional strategy towards tourism and the lack of knowledge about agrotourist opportunities by farmers. In some regions like Drenthe and Liezen a saturation level has been reached and hence perspectives for agrotourism are in particular in a shift towards high quality accommodations. The current participation in agri-environmental programs in countries like Austria and Germany is quite high, while it is hardly non-existent in Greece, Spain and Italy. The future uptake of these programs depends mainly on the size of the premiums.

5. Some lessons for employment creation in rural regions ¹

5.1 Introduction

Based on the results of the quantitative analysis and the case studies, we formulate some lessons for stimulating employment in rural regions in this chapter, again by using the three main components of the field of force: local resources, economic activities and actors. As the three components are strongly interrelated, lessons often concern aspects of the other components as well. Since the socio-economic, physical and geographic situation of rural regions widely varies, there is not one unique development path towards more jobs. So the lessons formulated below have not to be considered being the 'success formula', which always results in more jobs. The lessons have to be seen as building stones, which may contribute to shaping preconditions for employment creation under certain circumstances.

Despite the multiple development trajectories, we give a general guideline for employment creation in rural regions, based on the experience in the case study regions:

- make a comprehensive territorial development plan, based on the strengths, weaknesses, opportunities and threats of the region, and integrate all measures and projects within the scope of this plan;
- improve the capacity (knowledge, skills and attitude) of local actors;
- strengthen the cooperation of local actors and the cooperation of actors inside and outside the region.

Regional administrative layers and entrepreneurs are the main actors in implementing the three elements of the guideline. In many cases encouragement from upper administrative levels will be required. It is in the scope of this guideline, in which lessons given below can be selected. In the lessons no attention is paid to the way in which these lessons have to be implemented, since that is beyond the aim of the project.

5.2 Local resources

Integrate infrastructure investment in a broader development process

Physical infrastructure is an important factor for rural development. The case studies show that investment in infrastructure alone is not sufficient to trigger positive rural development. It will not in itself create employment opportunities, except during the (short) construction period. Comparison of the case studies provides evidence, that in the longer run infrastructure investment management makes a significant difference. In several case study regions improved connections to major transportation networks inside and outside

¹ This chapter is based on Von Meyer et al., 1999 and chapter 12 of Terluin et al., 1999.

the region have been essential for making transport of products and services more efficient. In most regions efforts have also been made to create new industrial sites, equipped with water treatment plants and other infrastructure facilities. This suggests that infrastructure investments should be integrated into a broader comprehensive development concept, and be accompanied by a set of complementary incentives. Such a comprehensive development concept should be based on a systematic assessment of regional strengths and weaknesses, as well as future opportunities and threats.

Pay attention to distinct modes and technologies of infrastructure in rural regions

In improving infrastructure and providing public services, it must also be recognized, that in order to be efficient, rural regions often require modes and technologies distinct from those in agglomerated regions. Explicit consideration of rural characteristics and needs is demanded e.g. in providing public transport, health care, education, or sewage treatment.

Valorize rural amenities

Almost all case study regions have some sort of valuable rural amenities, which contribute to their 'local identity'. However, the existence of these amenities are not able to explain employment dynamics, but the degree to which these assets are managed and valorized by actors to generate added value and employment. Rural amenities have to be managed in such a way, that the sustainability is not endangered.

Improve the perception of amenities by rural actors

There is often a gap in the perception of rural amenities by rural people and that by people outside rural regions. An important precondition for valorizing rural amenities is that rural actors are conscious of the values of rural amenities, i.e. that they understand that unspoiled nature, attractive landscapes, historic villages etc. are scarce resources and unique development assets, that should be kept in good shape. This is not only a service for tourists and leisure seeking urban populations. The consciousness of living in a unique village may have spin off effects for the rural population as well, as it can break a negative circle and result in new energy and activities. Rural renewal schemes can help to initiate such processes.

5.3 Economic activities

Follow a multisectoral approach

Rural employment creation results from complex processes of economic growth and decline, structural change, adjustment and innovation. The case study regions showed an increase in employment in the branches of community services, wholesale and retail trade, restaurants and hotels and financial services during the period 1980-1995, along with a decline of agricultural employment. Besides, several case study regions showed also a rise in

employment in the sectors of manufacturing and construction. Policies aiming at encouraging rural employment creation should follow a multisectoral approach, mainly by shaping preconditions for local agents.

Support the integration of agriculture in the rural economy

In the more thinly populated parts of rural regions the decline of the agricultural labour force may endanger its viability. In order to maintain agricultural workers in those areas, additional employment opportunities have to be created outside the farm or employment opportunities on the farm have to be stimulated, like the production of public goods (nature conservation) or agrotourism. A main obstacle for developing agrotourism is the lack of a regional tourist strategy.

Both specialization and diversification can be successful strategies

The leading case study regions provide evidence that both specialization and diversification can be successful strategies. There are, however, no typical rural specializations, which could be predefined a priori. Some of the leading case study regions are typical examples of so called 'industrial districts' (e.g. Pesaro, Albacete, Luxembourg) which, due to an exceptional specialization of their economic system, manage even to compete on an international, global scale. So despite the above lesson on a multisectoral approach, a certain degree of specialization can be useful. Of course, regional specialization is not without risk. Market conditions, tastes and fashions change. Under such circumstances rural employment policies should help to anticipate change and adapt to new conditions. It can not be said, however, if further specialization or diversification are generally the right choice. This is underlined by the fact that other leading rural regions have been successful by diversifying their economic base. Often they show above average growth across all major branches. Although diversified regions appear to be less exposed to risks, they may, however, find themselves more exposed to competition from other rural or urban regions if they lack proper market niches, a clear regional profile and image that can be easily communicated.

Enhance facilities for new and small enterprises

The case studies show that a substantial part of employment is created in new and in small enterprises. This implies that policies should not focus only on existing and large enterprises, but rather enhance facilities for new and small enterprises.

Focus on the local productive system

The case studies show that success and failure does usually not depend on the location and investment decisions of individual firms. What matters is the functioning of the entire local productive system, which results from the interaction of a multitude of firms as well as other institutions and actors. So rural employment policies should avoid targeting exclusively at individual firms. Economic development and employment growth can benefit

when chambers of commerce, local banks or other institutions manage to offer managerial training, transfer of technological and organizational know-how, advise on investment and financing, in a way that is adapted to the needs of small rural enterprises.

Strengthen zoning of economic activities by spatial planning

It appears that firms and actors tend to move to towns and agglomerated parts, which reflects the attractiveness of concentrations of actors. Such concentrations often result in synergy effects. Spatial planning can be used as a policy instrument to enhance this concentration of activities by providing well equipped business sites in certain zones. Natural locations for such concentrations of activities are towns, waterways or motorways. In a number of regions larger towns are lacking, which often hampers economic development. In order to create a structure with some larger towns, spatial planing can be used by a focus of the creation of business sites in one or two villages/towns of the region. A concentration of economic activities in some parts provides also the advantage that it contributes to the safeguarding of the attractiveness of rural amenities and living conditions in other parts of the region.

5.4 Actors

Enhance capacity building of local actors

In our field of force we distinguish three components: local resources, economic activities and actors. The overall finding is that actors are the essential and decisive factor in rural development. The key question with regard to the actors is whether they have the capacity (knowledge, skills and attitude) to take the right steps towards encouraging employment. This capacity depends on the degree in which actors face their situation and prospects in the broader national and international context. So policy makers have a high capacity when they have the ability to act effectively in delivering policies, to support promising local initiatives and projects and to formulate policies to attract investments. Entrepreneurs have a high capacity when they have the ability to perceive changes and adjust to them, and when they show the willingness to respond to market changes. Labourers have a high capacity when they have the ability to adapt to changes and to adjust their skills to training needs.

From the case studies it appeared that in most of the leading case study regions the capacity of policy makers is rather well developed, whereas in most of the lagging case study regions the capacity of policy makers is rather weak. Key issues in the capacity of policy makers are:

- political consensus;
- the ability to make a diagnosis of the regional situation, to identify needs and priorities, and to plan and design appropriate projects within a comprehensive territorial development perspective;
- the way in which policy makers are able to have good contacts with upper level authorities;

- the way in which policy makers are able to have good contacts with entrepreneurs;
- the way in which policy makers are able to attract public funds and private investments;
- the way in which policy makers create preconditions for firm settlement.

Entrepreneurs operate in the market. When they do not have the capacity to adapt to changing market conditions, they will not survive in the long run, unless they are supported by public assistance. In a number of both leading and lagging case study regions weak points in the capacity of entrepreneurs were a limited capacity to innovate and a cautious and risk averting attitude.

The capacity of labourers seems to be roughly the same in leading and in lagging case study regions: their attitude to work is good and they are prepared to work hard. In situations of restructuring of traditional industries groups of fired labourers, who lack the capacity to adjust their skills in order to be employed in higher skilled jobs, became permanently unemployed. So training of labourers is a main target point.

Strengthen internal and external networks

A network is considered here to be a group of actors, who interact with each other in order to achieve some aim. On the whole leading case study regions were characterised by rather strong internal and external networks of policy makers and entrepreneurs, whereas those in the lagging case study regions were usually rather weak. Target points for actions towards strengthening networks are enhancing the solidarity and interaction among local actors, improving the cooperation among sectors, solving of internal conflicts, stimulating an active attitude of actors, preventing an inward looking attitude of the local actors and encouraging the interaction of internal and external actors. It is clear that these target points are closely interrelated with empowerment of the capacity of actors.

Attract newcomers

The case studies show that newcomers to rural regions, immigrant populations, entrepreneurs and policy makers from outside the region, or even tourists can play an important role in establishing external links. Local actors, who have stayed for a long time outside the region, and return back to the region, can also be counted to the group of newcomers. Due to the fact that newcomers have a different attitude from the local actors, they are able to mobilize the local actors. They can feed experiences into internal networks, help mobilizing local actors and act as local leaders. They can provide access to external know-how and markets. They can transport a positive regional image, which supports advertisement and marketing of local products.

Define the right labour market area

Rural employment policies depend on a proper functioning of regional labour markets. Rural employment policies have to facilitate the matching of regional labour supply and demand. In order to design targeted regional measures it is essential to have a clear under-

standing of what represents the actual labour market area. This is not selfevident because of changing commuting patterns, increasing travel to work distances and changes. Besides, the labour market area may differ for different professions. Often, administrative boundaries no longer reflect actual functional relationships. Thus, a precondition for any targeted rural labour market policy is to get a clear picture of what represents the relevant labour market area. This implies also understanding the role of regional centres, small and medium size towns in providing job opportunities for populations living in the countryside. Exchange of vacancies between employment services of neighbouring regions can facilitate the matching and supply of labour.

Aim at the appropriate regional mix of skills

Education and training play of course an important role in matching labour supply to demand and thereby in encouraging employment creation. The role of education is however highly complex. It is not the attainment level as such, but rather an appropriate regional mix of skills that matters for successful rural employment growth. Proper targeting of education and training is required to ensure a better regional balance. For example, in those regions where employment growth was particularly high in manufacturing industries, greatest demand was expressed for workers with medium level technical skills. Establishing technical schools and promoting professional training both within and outside enterprises are priorities. Employers themselves were interested to provide professional qualifications to manual workers by on-the-job training. In those regions where strong regional networks and partnerships existed, the matching of skills seemed to work particularly well.

Be aware of changes in labour demand by industrial firms

During the period we have analysed, the availability of low skilled labour often acted as a pull factor for industrial firms to settle in rural regions. However, due to competition with cheap firms in low wage countries, it can be wondered whether footloose industrial firms will stay in rural regions in the near future. It is likely to expect that industrial firms in rural regions will change their production in such a way that they become more flexible, service intensive and customer oriented. Such a shift can imply that industrial firms prefer medium skilled labourers to low skilled workers.

Encourage part time labour and self-employment

In many rural regions young and female populations are particularly affected by unemployment. Regional labour market policies should thus pay particular attention to their specific needs. This implies that it is urgent to think not only in terms of full-time hired employment, but also to consider alternative options such as job-sharing, flexible part-time arrangements or self-employment. Part time labour, pluriactivity and self-employment have a long tradition in many rural labour markets. The majority of farm families in Europe are used to such work and income patterns. For the development of many rural labour markets these traditions can be a positive advantage. It is probably not by accident

that some of the most dynamic rural labour markets, showing the greatest relative employment increases are those with high shares of pluriactive, part-time farms. In many industrial districts the work ethic and attitudes of workers, who have strong ties to traditional pluriactive farming systems, are important for explaining their success. Many rural regions have a long tradition of independent self-employment. This should be encouraged again. Risk taking is not new to many rural people. As a result, new forms of organizing economic activities can actually find rather positive preconditions in rural regions.

6. Outlook ¹

Due to its comprehensive approach, the RUREMPLO project could not undertake in-depth analyses on every single topic. We highlight some issues on which further research is needed in order to get a better insight in rural development processes, and to understand how to implement some of the key findings.

Theoretical base

There is no systematic overview of theories and concepts on the economic development of rural regions in developed countries. In order to provide policy makers with the opportunity to design a strategy towards economic and employment growth in rural regions, which is optimal from a theoretical point of view, scientific efforts have to be made to compose such an overview. Besides, the empirical results from the RUREMPLO case studies can be used to adjust and improve some theories and concepts on the economic development of rural regions, when appropriate.

Evaluation of development performance

A major problem, many national and in particular regional administrations are presently confronted with, is the inability to undertake an adequate diagnosis of the regional situation, to identify needs and priorities, as well as to plan and design appropriate projects from a comprehensive territorial development perspective. Systematic monitoring and evaluation of past and present performance would improve this capacity. Such evaluations, however, should no longer be perceived as traditional external control (from the top), guided by bureaucratic formalities or budget rules. They should rather be conceptualized as performance oriented checks, that enable and encourage a learning process within the system of rural development (policy) design and delivery. Like this, evaluations become feedback mechanisms that are in the self-interest of the rural policy administration. It is crucial to collect and calculate a minimum set of indicators for assessing development performance. In addition, a political assessment procedure is demanded. This should involve not only the major players actively promoting rural development dynamics, but also those potentially being affected, be it in a positive or negative manner. The design, test and application of such evaluation methods should be a key topic for future research.

Designating labour market area

In order to design measures that facilitate the matching of regional labour supply and demand, it is essential to have a clear understanding of what actually represents the relevant

¹ This chapter is based on chapter 4 of Von Meyer et al., 1999.

labour market area. This is not self-evident. For many rural regions commuting patterns have changed significantly over recent decades. Travel to work distances have increased and even directions have changed. Often, administrative boundaries no longer reflect actual functional relationships. Thus, a precondition for targeted rural labour market policies is to get a clear picture of what represents the relevant labour market area. This implies understanding the role of regional centres, small and medium size towns in providing job opportunities for populations living in the countryside.

Rural regions without strong urban centres

In general, rural case study regions with one or two urban centres of a relevant size, or those located adjacent to major urban centres, performed better than remote, peripheral regions. Since only a few leading regions were of the latter kind, findings are not easily transferable to lagging regions. Further research is needed, focusing in particular on peripheral rural regions without strong urban centres.

Creation of competitive industries and services

The validity of the RUREMPLO findings is limited by the fact that they refer mainly to past developments (1980s and 1990s). Thus, there is a need for some prospective analyses. The question needs to be addressed, what might or should be the future role of rural regions in Europe. The case studies show that agriculture has constantly lost importance, and that tourism can only be part of the response. If, for the last decade, in most successful case study regions the industrial sector was crucial, it is unclear what kind of industries could survive in rural regions of high-wage countries, once competition from low-wage countries will get stronger. Also the question needs to be asked and answered what could be rural services that have the potential of being exported.

Leading sectors and related production chains

RUREMPLO findings show that employment growth stems from various branches. It could be interesting to analyse more deeply the role of sectors showing an increase or decrease in employment, in particular when this pattern deviates from that in other regions. An important aspect in this field is the organization of the chain, to which sectors/companies with growing or declining employment belong. Is it the efficiency of the chain as a whole, that explains the growing or declining employment in the sector/companies involved? To which extent are the other parts of the production chain also located in the same region? What is the impact of policies on the development of the production chain and hence on regional development of employment? What is the effect of the development of the production chain on more or less related production chains?

Functioning of networks

RUREMPLO has shown that well functioning networks are an advantage for the creation of employment in rural regions. However, there is still a lack of knowledge about the

functioning of networks, horizontal and vertical partnerships etc. In particular, it has to be explored, if and how the co-operative capacities of actors can be strengthened, and how actors from outside (newcomers/immigrants) can smoothly be integrated into local networks.

Co-operation among public and private institutions

Employment creation strategies for rural regions tend to be more successful if development efforts reach beyond individual sector considerations. Horizontal co-operation is required among different branches of public administration, where too often sectoral perspectives prevail over considerations that reflect on an optimal sectoral mix for the region. Often, however, it appears even more important to ensure a better communication and co-operation between public and private rural development institutions. Here, new forms of co-ordination, mutual assistance, and proper support need to be explored.

7. Concluding remarks

In this report a summary has been given of the findings of the RUREMPLO project by focussing on the factors which encourage or hamper employment growth in leading and lagging rural regions of the EU and by indicating some lessons rural regions can learn from each other with regard to employment creation.

Territorial approach

In RUREMPLO rural regions are viewed from the perspective of a territorial approach, which means that rural regions are expressed as territorial units with often one or more small or medium size cities and a low population density. Hence, rural regions are considered as local/regional economies with an internal socio-economic structure and a system of local/regional actors. The use of the territorial approach in the analysis of rural employment issues is rather new. It enables to take all relevant socio-economic relationships into account. The approach was useful in our project, as it revealed crucial elements in rural employment dynamics.

Field of force analysis

In order to visualize forces, which affect the employment development in rural regions, we have designed a field of force with three main components: local resources, economic activities and actors. In this field the current global restructuring process, due to rapid technological changes in the communications and information sectors and due to political changes, is taken into account. This field of force analysis was a valuable tool in the analysis of employment dynamics in rural regions and for presenting the results of the RUREMPLO project.

The field of force analysis was based on the mixed exogenous/endogenous approach of economic development of rural regions. We have found that the engine of employment growth consists of a mix of endogenous and exogenous forces in all case study regions, except for Pesaro and Macerata. In these two regions, which belong to the so-called 'third Italy', industrial districts exist and endogenous forces are the engine of employment growth. So the mixed exogenous/endogenous approach is a useful concept for analysing employment dynamics in rural regions.

The various forces of the field of force of each case study region were assessed by means of a SWOT analysis at the beginning and the end of the period. This provided a clear picture of the employment situation in each region. Basic questions on the development of some important forces were addressed in the so-called key issues. In the comparative analysis of the case studies we have used the answers of the SWOT analysis and the key issues as starting point. This resulted in a qualitative comparison. There is

scope for quantitative indicators for comparing employment dynamics in rural regions, in addition to the qualitative comparison.

Further refinements in the field of force analysis can be made with regard to the spatial distribution of actors within a region and changes in this distribution, to the role of sectors showing an increase or decrease in employment, in particular when this pattern deviates from that in other regions and to the organization of the chain to which the sectors/companies with growing or declining employment belong.

Except for being a common methodology, the field of force analysis was also a useful tool in managing and coordinating an international team with over 20 researchers from various disciplines and different research traditions.

Comparison of leading and lagging rural regions

The focus in the RUREMPLO project was on a comparison of rural/ rural, rather than on rural/urban or rural to national comparisons. The focus of rural/rural was combined with the comparison of leading/lagging in employment performance. This approach resulted in quite surprising differences and similarities among leading and lagging rural regions.

The labels 'leading' and 'lagging' have been derived from the growth rate of non-agricultural employment in the region during a recent period of about 10 years. So regions are only leading or lagging with regard to their non-agricultural employment performance; in other indicators they may be less or more successful. Moreover, it appears that the growth rate of employment can change considerably when using another period. This implies that when a region is labelled as lagging, this is not necessary a permanent situation, but that it can change. These remarks give rise to research questions like 'what happens in leading regions, which become lagging?' and vice versa.

Data at regional level in the EU

For the purpose of the quantitative analysis we have composed a database with 70 socio-economic indicators in 465 EU regions for the years 1980-1995. Our experience is that it is difficult to make an EU wide quantitative analysis of socio-economic indicators at regional level (NUTS 2 or 3), as many data were not available from Eurostat data sources. Besides it was very time consuming to collect the missing data from national sources and it appeared that data for some indicators do not exist at regional level. This was the case for nearly 30% of the variables of our database. Especially for tourism, number and size of firms and education level it is difficult to collect regional data.

Findings from the quantitative analysis

The statistical analysis of some socio-economic indicators in the group of 465 regions in the EU for the period 1980-1995 showed that leading rural regions:

- have both growth of industrial employment and services employment;
- show a smaller decline in agricultural employment than lagging regions;
- show a population growth as well, whereas in lagging rural regions population growth stagnates;

- tend to have a lower unemployment rate than lagging regions;
- tend to have a higher infrastructure endowment (highways, railways and waterways) than lagging regions.

However, for quite a number of socio-economic indicators hardly any differences have been found between leading and lagging rural regions, like:

- participation rates;
- education level of the population;
- average firm size;
- share of female employed in total employment;
- farm holders with other gainful activities.

Besides, leading and lagging rural regions have only small differences in the sectoral structure of employment.

Case studies in leading and lagging regions

The case studies enabled us to make a more in-depth analysis of employment dynamics in regions, which go far beyond the findings of the EU wide statistical analysis. By analysing regional available statistics, by studying literature and by interviewing key actors, the stories behind employment dynamics were revealed. In order to guarantee the comparability of the 18 case studies, we had made a very detailed table of contents (including questions to be answered) for the case study report along the three components of the field of force.

The overall finding from the case studies is that actors are the essential and decisive factor in employment development. The key question with regard to the actors is whether they have the capacity (knowledge, skills and attitude) to take the right steps towards encouraging employment development. The capacity of actors depends on the degree in which they cooperate with other actors inside and outside the region, in which they face challenges, in which they innovate, in which they launch projects in line with the strengths and needs of the region, in which they take risks, and in which they market regional products or the region to external actors.

Main lessons for employment creation

Since the socio-economic, physical and geographic situation of rural regions widely varies, there is not one unique development path towards more jobs. So the lessons formulated in our project have not to be considered being the 'success formula', which always results in more jobs. The lessons have to be seen as building stones, which may contribute to shaping preconditions for employment creation under certain circumstances. Despite the multiple development trajectories, we give a general guideline for employment creation in rural regions, based on the experience in the case study regions:

- make a comprehensive territorial development plan, based on the strengths, weaknesses, opportunities and threats of the region, and integrate all measures and projects within the scope of this plan;
- improve the capacity (knowledge, skills and attitude) of local actors;

- strengthen the cooperation of local actors and the cooperation of actors inside and outside the region.

Regional administrative layers and entrepreneurs are the main actors in implementing the three elements of the guideline. In many cases encouragement from upper administrative levels will be required. It is in the scope of this guideline, in which lessons given below with regard to local resources (including infrastructure), economic activities and actors, can be selected.

Lessons with regard to local resources

- Integrate infrastructure investment in a broader development process;
- Pay attention to distinct modes and technologies of infrastructure in rural regions;
- Valorize rural amenities;
- Improve the perception of amenities by rural actors.

Lessons with regard to economic activities

- Follow a multisectoral approach;
- Support the integration of agriculture in the rural economy;
- Both specialization and diversification can be successful strategies;
- Enhance facilities for new and small enterprises;
- Focus on the local productive system;
- Strengthen zoning of economic activities by spatial planning.

Lessons with regard to actors

- Enhance capacity building of local actors;
- Strengthen internal and external networks;
- Attract newcomers;
- Define the right labour market area;
- Aim at the appropriate regional mix of skills;
- Be aware of changes in labour demand by industrial firms;
- Encourage part time labour and self-employment.

Outlook

Due to its comprehensive approach, the RUREMPLO project could not undertake in-depth analyses on every single topic. Further main research topics are amongst others:

- to compose a systematic overview of theories and concepts on the economic development of rural regions in developed countries;
- to design a set of indicators, which regional administrations can use to undertake an adequate diagnosis of the regional situation as well as to plan and design appropriate projects from a comprehensive territorial development perspective;
- to get more insight in the functioning of networks, horizontal and vertical partnerships etc.;

- to analyse in-depth the role of leading sectors, firms and related production chains in rural employment creation.

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Von Meyer, H., I.J. Terluin, J.H. Post and B. Van Haeperen (eds.), *Rural employment dynamics in the EU; Key findings for policy consideration emerging from the RUREMPLO project*. LEI, The Hague, 1999

Annex 1 Overview of publications of the RUREMPLO project

General

Esposti, R., F.E. Godeschalk, T. Kuhmonen, J.H. Post, F. Sotte and I.J. Terluin (1999)
Employment growth in rural regions of the EU; A quantitative analysis for the period 1980-1995; The Hague, LEI

RUREMPLO team (1997)
Methodology for case studies; The Hague, LEI-DLO (not published, only for internal use)

Terluin, I.J. and J.H. Post (1998)
Leading and lagging rural regions in the EU: some key findings; Paper for the 1998 Canadian Rural Restructuring Foundation Annual Meeting and Conference, October 14-17, 1998, Nelson B.C., Canada

Terluin, I.J. and J.H. Post (1998)
Employment in leading and lagging rural regions of the EU; Paper for the RUREMPLO workshop at November 20, 1998 in Brussels

Terluin, I.J., J.H. Post and Å. Sjöström (eds.) (1999)
Comparative analysis of employment dynamics in leading and lagging rural regions of the EU, 1980-1997; The Hague, LEI

Terluin, I.J. and J.H. Post (1999)
Employment in leading and lagging rural regions of the EU; Summary report of the RUREMPLO project; The Hague, LEI

Von Meyer H., I.J. Terluin, J.H. Post and B. Van Haepereen (eds.) (1999)
Rural employment dynamics in the EU; Key findings for policy consideration emerging from the RUREMPLO project; The Hague, LEI

Case studies in the leading rural regions:

Dupraz, P., B. Henry de Frahan and G. Faucheux (1998)
Agriculture and employment in EU rural areas case study: the province of Luxembourg, Belgium; Rennes, INRA / Louvain la Neuve, Catholic University, Unité d'Economie Rurale

Efstratoglou, S., A. Efstratoglou and G. Kalemidou (1998)
Agriculture and employment in rural areas leading case study: Korinthia (Greece); Athens, University of Athens, Department of Agricultural Economics

Kuhmonen, T. and O. Aulaskari (1998)
Agriculture and employment in rural regions of the EU; Case studies in Finland: leading region Keski-Suomen Lääni; Sarpaniemi, Fin-Auguri Oy

Rosell, J. and L. Viladomiu (1998)
Case study leading region in Spain: Albacete; Barcelona, Universitat Autònoma de Barcelona, Dpto. Economia Aplicada

Roux, B. and G. Foscale-Baudin (1999)
Case study: the department of Alpes de Haute Provence, France; Grignon, INRA, Unité d'Économie et Sociologie Rurales

Sotte, F. and R. Esposti (1998)
Case study Pesaro; Ancona, University of Ancona, Department of Economics

Terluin, I.J., J.H. Post, A.J. Wisselink and M.M.M. Overbeek (1999)
Forces affecting employment dynamics in Drenthe; Case study in a leading rural region in the Netherlands; The Hague, LEI

Von Meyer, H. (1999)
Rural employment dynamics in West-Germany; RUREMPLO case studies Niederbayern and Lueneburg; Wentorf (Hamburg), Pro Rural Europe

Weiss, F. (1998)
Case study Osttirol; Vienna, University of Ground Science, Department of Economics, Politics and Law

Case studies in the lagging rural regions:

Bertrand, J.P. (1998)
Agriculture and employment in rural regions of the EU; Case study: the département of La Nièvre, France; Ivry sur Seine, INRA

Dupraz, P. and B. Henry de Frahan (1998)
Agriculture and employment in EU rural areas case study: département Les Ardennes, France; Rennes, INRA / Louvain la Neuve, Catholic University, Unité d'Économie Rurale

Efstratoglou, S., A. Efstratoglou and G. Kalemidou (1998)
Agriculture and employment in rural areas leading case study: the prefecture of Fthiotis Greece; Athens, University of Athens, Department of Agricultural Economics

Kuhmonen, T. and O. Aulaskari (1998)

Agriculture and employment in rural regions of the EU; Case studies in Finland: lagging region Mikkelin Lääni; Sarpaniemi, Fin-Auguuri Oy

Rosell, J. and L. Viladomiu (1998)

Case study lagging region in Spain: Zamora; Barcelona, Universitat Autònoma de Barcelona, Dpto. Economia Aplicada

Sotte, F. and R. Esposti (1998)

Case study Macerata; Ancona, University of Ancona, Department of Economics

Terluin, I.J., J.H. Post, A.J. Wisselink and M.M.M. Overbeek. (1999)

Forces affecting employment dynamics in Groningen; Case study in a lagging rural region in the Netherlands; The Hague, LEI

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Rural employment dynamics in West-Germany; RUREMPLO case studies Niederbayern and Lueneburg; Wentorf (Hamburg), Pro Rural Europe

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